Better Marketing

Division of Marketing and Marketing Agreements

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SOUTHEASTERN WATERMELON MARKETING SEASON ENDS, GROWERS' RETURN 50% OVER 4-YEAR LEVEL

With approximately 17,500 cars of watermelons shipped from Florida, Georgia, South Carolina, and North Carolina, and the marketing season of the crop in these States now practically completed, preliminary estimates by the General Crops Section indicate that the total income received by growers in these four Southeastern States was approximately 50 percent above the total income received from watermelons in any of the past four seasons.

Three principal factors are stated by the General Crops Section to have accounted for the improved returns secured by the Southeastern watermelon growers in the 1936 season. Plantings were relatively light, the money income of consumers was improved, and a marketing agreement and order for the southeastern watermelon industry provided an adequate means for eliminating the effects of periodically overstocked terminal markets.

The 1936 production in Florida, Georgia, South Carolina, and North Carolina was estimated in June by the United States Department of Agriculture at approximately 23,800,000 melons, or 87 percent of the 1935 harvested crop.

Not only were supplies smaller in 1936 than in 1935 but consumer buying power was also substantially improved. The national nonfarm money income, approximately 73 percent of the 1924–29 average from May to August 1935, was over 10 percent above this level in the 1936 southeastern watermelon marketing season. With consumer income and the supply situation both materially improved, as compared with conditions in the past 4 years, the problem of securing adequate returns to growers was considerably less difficult than it had been previously.

Shipping Season Reviewed

The 1936 season started late, so that by the first week in June only about 500 cars had been shipped from the 4 States as compared to over 2,400 cars in the previous year. F. o. b. prices were in excess of $280 per car. Shipments became increasingly heavy after the second week in June when Georgia began to ship. During the week ending June 27 over 3,000 cars were shipped, mostly from Georgia, and prices declined rapidly.

Unloads of watermelons in the 11 principal markets were about one-third of the track holdings, which varied between 718 and 847 cars per day in the week ending July 4. In order to decrease these excessive track holdings and prevent the usual sharp decline in watermelon prices after the first weeks in July, a regulation was issued by which all shipments of watermelons out of the 4 Southeastern States were prohibited during the 48-hour period from

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Surplus Farm Products to Ease Alaskan Eskimos' Food Shortage

Shipment of over 88,000 pounds of flour, 36,000 pounds of canned beef, and 4,000 pounds of prunes is being made by the Federal Surplus Commodities Corporation for distribution to Alaskan Eskimos suffering a food shortage.

The food products were acquired by the Agricultural Adjustment Administration in connection with programs designed to remove surpluses and improve returns to farmers. The products, loaded on a boat at Seattle, Wash., were sent to Nome, Alaska, where they will be transferred to the *North Star*, a steamer operated by the Indian Service, and taken to Point Barrow from where they will be distributed to the needy.

Western Washington Pea Industry Aided Through Marketing Program

A marketing agreement program supplemented by Government purchases of surplus for relief distribution made it possible for growers and handlers of western Washington peas to cooperate effectively in dealing with their marketing problems and resulted in making a success of their 1936 marketing season.

Abnormal growing conditions in western Washington resulted in excessive harvestings of peas in the early part of July. Markets became overloaded, track holdings in major cities began to increase, prices fell, and large quantities of peas were in danger of spoiling in the fields or rolling on consignment. Institution of volume proration and grade regulation relieved commercial channels of excess volume and peas of poor quality, and isolated surplus peas.

Purchases of peas for relief distribution by the Federal Surplus Commodities Corporation, operating in cooperation with the control committee, administrative body functioning under the marketing agreement and order, not only removed the surplus so isolated, but also supported the f. o. b. market. Purchases made in a few days aided in stabilizing the market for the balance of the season.

Grade regulation was in force almost continuously for more than 3 weeks and period proration for 1 week.

THREE MAIN FACTORS IN DAIRY SITUATION

Dairy Section Reports Improvement In Prices and Demand; Production Per Cow Is Lower

Dairy products prices averaging higher for the remaining summer and fall months than in the same period last year, improved demand conditions for these products, and somewhat curtailed milk production resulting from drought shortages of feed are the major factors in the current dairy situation reported by the Dairy Section.

Milk production per cow on August 1 was averaging about 5 percent below that date last year, and with around 1 percent fewer milk cows total milk production apparently was about 6 percent below last year, according to a report of the Bureau of Agricultural Economics. Although production per cow was higher in nearly all States than August 1, 1934, this apparently was offset by the smaller number of milk cows so that total production this year probably was slightly below August 1, 1934.

Pastures in the more important dairy areas were the poorest on record for August 1, but supplementary feeding with grain, hay, and green feed has helped maintain higher milk production than might otherwise be expected. Production has been restricted most in the severe drought areas. In the South, where conditions have been partially relieved by rains, production per cow has held up unusually well. In the Northeast and far West, August 1 production per cow was well above the 1925–33 average for that date.

Present indications are that the livestock feed situation as a whole is somewhat less serious than at this time in 1934, although it may be influenced some by fall feeds and the severity of the coming winter

The available supply of feed grains, while far below average, is expected to be about 5 percent greater than in 1934, whereas the number of grain-consuming units of livestock and poultry are now about 3 percent less than at this time in 1934. Available hay supplies appear to be about 20 percent greater and the number of hay-consuming animals 9 percent less than in 1934.

The average farm price of butterfat on July 15 was 32.6 cents per pound or 46 percent above July 15, 1935. It probably has increased some since then, judging from the wholesale price of 92-score butter at New York which increased 2.5 cents from the middle of July to the

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BETTER MARKETING is issued as a means of communicating to workers and cooperators of the Division of Marketing and Marketing Agreements information relative to the Division's activities under the Agricultural Adjustment Act and related Acts.

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION
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WATERMELON SEASON

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July 3 to July 5. This regulation assisted materially in decreasing track holdings after July 6, and prices to growers improved materially.

Though shipments reached a peak of nearly 3,100 cars in the week ending July 27, they remained at an average of about 2,700 cars per week during the next 3 weeks with approximately 54 percent of the cars during this period originating in Georgia. By the week ending July 11 the South Carolina shipments were almost as heavy as Georgia shipments but shipments from Florida decreased markedly. In the following week Florida shipments were practically completed, the Georgia movement declined but South Carolina reaching its peak movement, supplied over 50 percent of the 2,800 cars shipped from the 4 States. North Carolina shipments began at this time.

Prices were stronger in the week ending July 18, contrary to the usual seasonal pattern. However, during the following week cars on track reached again an excessively high total of about 1,200 cars in the 11 principal markets on July 20. Prices began to decline very markedly and in the producing area f. o. b. sales fell off sharply. Another 48-hour "shipping holiday" extending from July 23 to July 25 substantially assisted in reducing the temporary market glut. Subsequent to July 25, by a further regulation under the marketing agreement and order, shipments of unclassified melons, i. e., those melons which are not equal in quality to the United States standards for no. 1 and no. 2 melons, were not permitted to move.

After July 27, when North Carolina and Georgia were the principal shipping States, there was an improvement in the f. o. b. market prices and sales, reflecting the stronger condition in the terminal markets. Unusual strength developed at the end of the season, when shipments from the southeastern States were relatively light and North Carolina growers were able to secure an average f. o. b. price of over $140 per car during the first week of August.

Highlights of the 1936 southeastern watermelon marketing season may be summarized as follows: First, growers obtained relatively satisfactory prices, as compared with the record of the past 4 years, and greatly increased returns for a crop which was smaller than the 1935 crop. Second, the marketing agreement and order made possible the regulations by which orderly marketing of the 1936 crop was facilitated and the consequences of temporary market gluts removed. Third, the use of inspection certificates certifying the grade and size of southeastern watermelons became universal.

Milk Agreement For Kansas City Market Gets Tentative Approval

A marketing agreement for handlers of milk in the Kansas City, Mo., marketing area, tentatively approved by the Secretary of Agriculture, has been sent to handlers for signature. Producers will be requested to indicate whether they favor the issuance of an order embodying the terms of the agreement.

This agreement represents a modification of one tentatively approved by the Secretary of Agriculture on June 13. The modifications, necessitated by changing conditions arising out of the drought situation, were discussed at a reopened public hearing held in the marketing area July 27.

Provisions of the tentatively approved agreement would govern prices which handlers would pay producers, the classification of milk bought by handlers, and the establishment of a market-wide pool and a base rating plan for the equitable distribution of payments to producers.

The minimum price for class 1 milk bought from producers is established in the tentatively approved agreement at $2.40 per hundredweight at the handler's plant. The class 2 milk price is set at $2.05 per hundredweight at the handler's plant. The class 3 milk price would be arrived at by multiplying by 3.8 the average price per pound of 92-score butter at wholesale in Chicago as reported by the United States Department of Agriculture for the delivery period, plus 25 cents.

DAIRY SITUATION

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middle of August, when it was 36 cents per pound.

The increase in butterfat and butter prices over last year may be attributed in part to curtailed milk production because of the drought and in part to an improvement in demand conditions which is indicated by indices of industrial production, factory pay rolls, building activities, and urban income. All of these indices have shown substantial increases over last year. The estimated national income, excluding agricultural income, was 13 percent greater in June 1936 than in June 1935.

Present prospects appear to be for dairy products prices during the remaining summer and fall months to average higher than in the same period last year. A large part of the effects of the drought probably have already been reflected in butterfat and butter prices. Next winter's prices may not show such marked seasonal increases from present levels as in the 1934–35 and 1935–36 seasons. Last season the farm price of butterfat and the New York wholesale price of 92-score butter showed unusually large seasonal increases of 12.6 cents and 13.0 cents, respectively, from July to February.

PROGRAM SEEKS NEW OUTLETS FOR PEARS

California Fall and Winter Pears To Be Diverted From Normal Trade Channels to New Markets

A program for the diversion of California-grown fall and winter pears from the domestic normal channels of trade to new markets and new uses is being conducted under an agreement between the Secretary of Agriculture and the California Pear League, Inc., organized by the industry for this purpose.

The program is effective for California fall and winter pears grading U. S. No. 1 or better. Its operation is made possible through the provisions of section 32 of the amendments to the Agricultural Adjustment Act, approved August 1935. A program similar to that for California fall and winter pears is being considered by pear growers and shippers of the North Pacific pear-producing region.

Under the provisions of the agreement between the Secretary of Agriculture and the California Pear League, Inc., three types of outlets will be encouraged through indemnity payments for losses incurred. These will include shipments into certain States not now normal markets for California fall and winter pears, exports to certain foreign countries, and diversion into new uses, such as the manufacture of pear concentrates, pear brandy, and other by-products.

Under the phase of the program to encourage consumption in certain domestic markets as a means of diversion from normal channels of trade, indemnity payments will be made on the basis of the average base price fixed by the Secretary and the net sales price, but limited to an average of 50 cents per box on all pears so diverted.

Exports of California fall and winter pears will be encouraged through an indemnity payment of 50 cents per box on pears exported to all foreign countries, except the countries comprising the British Empire (but not including the mandated territories), all Mediterranean countries, including Palestine and the countries in Europe. The agreement provides that the Secretary may change the list of such countries upon 30 days notice.

Indemnity payments for losses incurred on pears sold for diversion from the normal channels of trade to by-product uses will be based on the difference between a unit price (representing market value) and the sales price less certain expenses. The unit price and the sales price are to be fixed by the Secretary.

Through the encouragement of new outlets, the program is expected to be of material aid in improving returns to growers. In recent years, the development of markets for fall and winter pears has not kept pace with the rapid increase in production. This situation has resulted in constantly lower prices so that for the past 6 years fall and winter pears have sold at prices about 60 percent of the 1922–28 average.

CENTRAL REGION GROWS FOURTH NATION'S APPLES

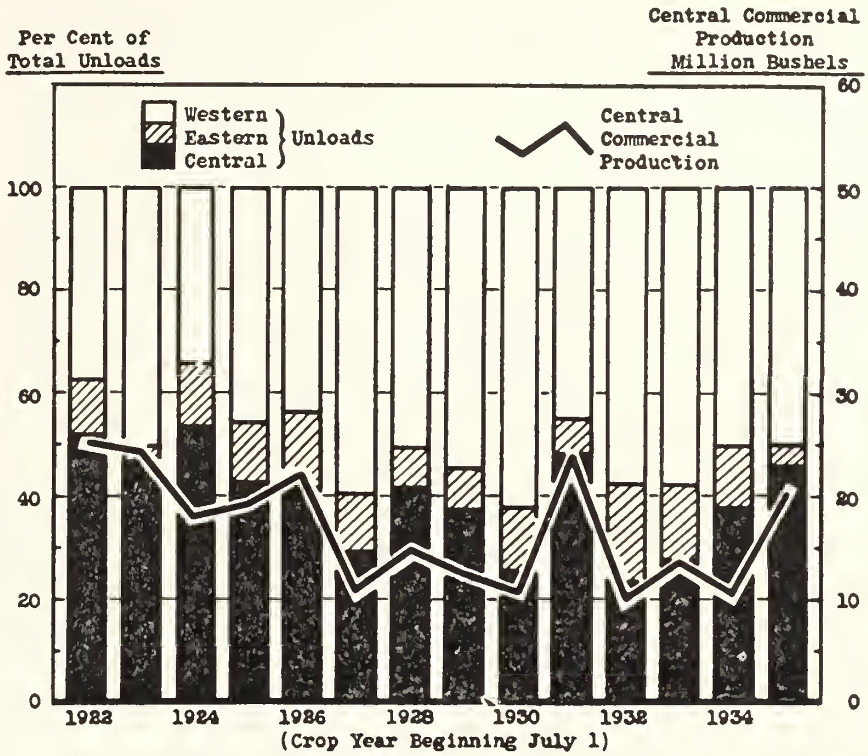
Recognition of Competitive Factors Vital To Industry In Central States; Markets Nearby

Although more than one-half of the farms reporting apple trees in the United States are located in the central region, the total output comprises only about one-fourth of the total crop for the country as a whole. Orchards in this region of the country, which includes 15 States, are relatively small, many of them being predominantly farm orchards.

The commercial production of apples in this area is confined primarily to a small number of counties in Michigan, Illinois, Ohio, Missouri, and Arkansas where commercial production has represented approximately 85 percent of the total commercial apple output for the central region as a whole during the past 5 years. The other States included in the central region are Indiana, Wisconsin, Minnesota, Iowa, Nebraska, Kansas, Oklahoma, Alabama, Tennessee, and Kentucky.

Apple production in the central region is subject to very wide fluctuations from year to year owing primarily to weather conditions and tendencies toward alternate high and low bearing in many orchards. Production in recent years has shown a downward trend on account of deterioration of orchards and the removal of trees. This is indicated by the fact that the average annual crop of 32,000,000 bushels during the past 4 years is 17,000,000 bushels less than the 1920–23 average. Most of this decline appears to have taken place in the farm orchards as reports show that a relatively large number of trees in the commercial plantings have not yet reached full bearing capacity. Orchard deterioration and tree removal may continue to take place in the noncommercial areas.

ORIGIN AND PRODUCTION OF APPLES IN CENTRAL REGION



Apple unloads reported at Chicago, Milwaukee, St. Louis, and Kansas City, though incomplete, illustrate the dependence of the central markets on western and eastern supplies. The above graph shows that in the 14-year period slightly over 40 percent of the reported unloads apparently originated in the central region, 49 percent in the Western States, and 10 percent in the Eastern States. The proportion of the unloads originating in the western region apparently increases as the central commercial crop decreases and is reduced in years of larger commercial crops in the central region.

Competitive Factors

Less than half of the annual apple crop in the central region is sold for fresh consumption, the major portion being utilized largely for home consumption and processing purposes. In this respect the apple industry in the central region differs materially from that in the other sections of the country as about 75 percent of the crop in the far west is shipped for fresh sale, and in the Eastern States the commercial movement usually represents more than half of the total production.

The central region's commercial apple crop has amounted to about 15,700,000 bushels annually from 1931 to 1935. This is approximately 18 percent of the total commercial production for the country as a whole.

The gross income received by growers for the central commercial supplies averaged about $20,000,000 annually from 1924 to 1929 but declined to about $12,000,000 annually in the past two seasons.

While marketing problems, such as those relating to grading, packing, and merchandising, which confront growers in this section of the country do not differ materially from those which concern apple growers in other sections of the United States, the solution of these problems involves the consideration of many local factors. In the first place, there is a large city population in the Central States, as about one-half of the population in the United States is located in this section of the country. The concentration of population naturally makes large market outlets available, and considerable competition results from apples shipped from both the western and the eastern areas of the country. Analysis of reports of shipments received at 4 of the larger markets indicates that on the average almost one-half of the apples consumed in the central region originate in the Pacific Northwest, 10 percent in the East, while the local area furnishes the remainder, or about 40 percent of the total supply.

Near to Markets

The apple grower in the central region is relatively near many of his markets. Because distances to the principal cities are relatively short, about three-fourths of the movement is handled by motor truck. Despite this advantage, apple growers in the Central States are forced to take into account, from a market standpoint, the competition which they receive from apples shipped from the West and the East. While they frequently sell in their markets lower grades which would not bear the cash costs of transportation if they had been shipped from distant competing areas, these growers also realize that they must maintain a satisfactory competitive position through use of appropriate grading and packing methods.

Due to the relatively large proportion of the apples consumed in the central region which are received from the other commercial areas, prices which the local growers receive are largely determined by commercial supplies in western and eastern areas, the level of consumer income and the relative volume of other fruits which compete with apples. In recent years prices received by growers in the central region have been from 50 to 77 percent of the average for the period 1924 to 1929. The net returns obtained by growers depend, of course, upon various factors such as the development of special outlets through direct selling to receivers and retailers, use of suitable grading and packing practices, and development of appropriate bargaining power for effective merchandising methods.

HEARING IN FORT WAYNE ON MILK MARKET PLAN

Proposed Agreement and Order Scheduled for Consideration in Marketing Area September 3

A proposed marketing agreement and order for handlers of milk in the Fort Wayne, Ind., marketing area will be considered at a public hearing to be held September 3, in the Allen County Courthouse at Fort Wayne.

Designed to maintain stabilized milk marketing conditions and improve returns to producers, the program proposed under the agreement and order is similar to that which has been in effect in that marketing area during the last 2 years under the terms of a license for milk distributors. It would continue coordinated regulation of milk in the Fort Wayne market by the State of Indiana and the Federal Government.

The principal provisions of the program would classify milk sold by producers to handlers into four classes according to use, establish minimum prices which handlers would pay producers, and provide for the equitable apportionment of returns to producers through a market-wide pool and payment to producers according to the quantity each delivers until January 1, 1937, and from that date on according to a base rating plan. Administration of the program would be through a market administrator whose powers and duties are defined in the agreement and order.

Under the proposed marketing agreement program, each handler would be required to pay producers for class 1 milk at the handler's plant not less than $2.25 per hundredweight.

The price to producers for other classes of milk would be calculated for each delivery period by the market administrator through a stipulated formula based on the average price per pound of 92-score butter at wholesale in the Chicago market as reported by the United States Department of Agriculture for the delivery period, plus differentials for each class.

Handlers would be required to make periodic reports to the market administrator, showing, among other things, milk receipts from producers and utilization of this milk. From these reports the market administrator would compute the value of milk bought by each handler and the uniform price which all handlers would be required to pay producers.

Dubuque Milk Marketing Program Sent to Industry for Approval

A marketing agreement for handlers of milk in the Dubuque, Iowa, marketing area, tentatively approved by the Secretary of Agriculture, has been sent to handlers for signature while producers will be requested to indicate whether they favor issuance of an order which would embody the terms of the agreement.

Considered at a public hearing held in the marketing area last month, the program is designed to improve milk marketing conditions and returns to producers. It is similar to a program in effect in the marketing area since December 1934 under the terms of a license for milk distributors. As in the case of the license, the new program would be administered by a market administrator.

The important provisions of the marketing agreement would govern the classification of milk on a use basis, prices paid to producers by handlers, and payments to producers through individual handler pools.

PROGRAM WILL DIVERT LOW QUALITY DRY FIGS

Agreement With Industry Organization Will Supplement Efforts to Improve Quality and Growers' Returns

Low quality substandard dried figs will be diverted from normal channels of trade to byproduct uses under an agreement between the Secretary of Agriculture and the Pacific Dried Fruit Products Association, an industry-wide, nonprofit organization formed for the purpose of operating programs in connection with the dried-fruit industry in California.

The program under the agreement seeks to increase returns to growers by removing low quality dried figs from the market and supplements efforts begun by the industry in 1934 to improve the average quality of dried figs by better cultural methods.

The association is authorized under the agreement to buy stipulated quantities of substandard figs for resale for diversion from fig paste manufacture to such byproduct uses as may be authorized by the Secretary. These include distillation of brandy and alcohol and stock feed. The purchases at authorized prices will be limited to black figs testing between 75 and 25 percent passable, and white figs testing between 65 and 25 percent passable. The association will be indemnified for the amount by which the purchase price exceeds the sales price, plus expenses incurred in handling.

Growers may deliver their low-grade figs directly to the association or through their packers. Packers will deliver to the association unprocessed low-grade figs which they may acquire in grower deliveries or which may result from culling deliveries of higher quality fruit.

Operation of the program is made possible under the provisions of section 32 of the amendments to the Agricultural Adjustment Act, approved August 1935. This section makes available to the Secretary of Agriculture an amount equivalent to 30 percent of customs receipts for uses which include encouraging domestic consumption of agricultural commodities by diversion from normal channels of trade.

Commercial production of dried figs in the United States is confined to California where approximately 3,000 growers have about 41,000 bearing acres and 2,000 nonbearing acres. In 1935, the production of dried figs totaled 24,000 tons while the 1936 crop is estimated at 22,500 tons. Average annual production has increased from 9,600 tons in the 5 years 1921–25, to 14,900 tons in the 1926–30 period, and 20,600 tons in the 1931–35 period. Returns to growers have decreased as production increased. The average price per ton in 1935 was $42.50, compared with $113 per ton for the years 1921–25, and $65 per ton during the period 1926–30.

TOPEKA MARKET AREA HAS MILK AGREEMENT

All Handlers Buying From Producers Signed Agreement Which Replaces Program Under License

A marketing agreement for handlers of milk in the Topeka, Kans., marketing area, signed by all handlers buying milk from producers on that market and favored by the Shawnee County Milk Producers' Association, became effective August 16.

Designed to maintain improved marketing conditions for milk producers supplying the Topeka market, the agreement provides for the continuance of a program similar to that which has been in effect in that area for nearly 2 years under a license for milk distributors. The license was terminated at the same time the agreement became effective. The principal provisions of the agreement govern the classification of milk on a use basis, the establishment of prices which handlers are required to pay producers for milk bought, the operation of a market-wide pool for the equitable distribution of returns to producers, and administration through a market administrator.

Under the agreement handlers are required to pay not less than 49.25 cents per pound of butterfat contained in class 1 milk delivered at their plant within the marketing area. For each pound of butterfat contained in class 2 milk, handlers are required to pay producers the average price per pound of 92-score butter at wholesale in the Chicago market as reported by the United States Department of Agriculture for the delivery period during which the milk was delivered, plus 5 cents.

A deduction of 3 cents per hundred pounds of milk will be made by handlers to be used by the market administrator in furnishing producers with market information, verification of weights, sampling and testing of milk bought from producers. In the case of producers for whom a cooperative association is rendering these services, handlers will make the deduction from payments to the association's members, and pay this money to the association of which the producers are members.

Expenses in connection with the administration of the marketing agreement are to be borne by handlers. Each handler is to pay to the market administrator not in excess of 3 cents per hundredweight of milk handled during each delivery period, the exact amount of this payment to be determined by the market administrator subject to review by the Secretary of Agriculture. If a cooperative association is a handler of milk, the pro rata share of expense is to be paid only on that milk received from producers at the association's plant.

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